

Statement of Domenic Carinalli
President, Western United Dairymen
Before the Livestock and Horticulture Subcommittee
of the Agriculture Committee
U.S. House of Representatives
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Good morning Mr. Chairman, ranking member Peterson, Members of the Subcommittee. Thank you for having this hearing and for inviting me to testify. My name is Domenic Carinalli. I am the President of the Board of Directors of Western United Dairymen, the largest producer trade association in the country's top dairy state. We represent approximately 1100 of California's 2000 producers on a broad range of issues including pricing, environmental quality, labor relations, public relations and advocacy.

Western United Dairymen believes that American dairy producers must aggressively seek new avenues for generating dollars from the marketplace and, in the future, place less reliance on taxpayer support.

Marketing and Trade Policy

The dairy industry, like all others today, exists and must compete in a global market. However, the market that exists outside our borders is highly subsidized and often erects barriers to competition from the United States. Foreign blockades to American dairy products must be eliminated.

If these barriers to fair competition are not toppled of their own accord, then aggressive government assistance from the US in the form of market promotion is the best hope of American producers that foreign demand for our products will overcome trade barriers set up by other governments. Since most of the world's people live outside the United States, tremendous opportunity, as well as revenues, can be captured through aggressive marketing of our products overseas. Western United supports full funding of the Dairy Export Incentive Program (DEIP), the Market Access Program (MAP) and the Foreign Market Development Program (FMDP).

The domestic market cannot be overlooked as a significant source of new revenues. Demand for American butter and cheese continues to expand at a rapid rate. The market for fluid milk has been identified as mature but many dairy producers feel that it is a market still waiting to be tapped. If you are scratching your heads please allow me to explain.

As this chart (Chart #1 attached) indicates, according to USDA, both the solids not fat and the butterfat included in milk as it comes directly from the cow is much higher than the federal standards for fluid milk; at least 5% and 12% respectively. It makes little

sense to allow the federal standards to be so far below the level at which milk actually comes from the cow. Research shows that consumers, and especially young consumers, are less likely to be milk drinkers if they have a negative experience when they consume our product. It is high time that the standards evolve as the industry has evolved and allow us to attract and retain more consumers with a more consistent product that is more wholesome, nutritious and satisfying to the consumer. More satisfied consumers equates to additional dollars from the marketplace.

Enforcement of Existing Regulations

However, it does little good to have standards for any product, unless those product standards are enforced. Also, the federal government has an interest in making sure those standards are enforced. More consistent milk in schools, for instance, would likely make young children more dedicated milk consumers, improving their health. Ensuring standardized product also helps assure that product taxpayers are paying for as part of national feeding programs is really in the packages.

Western United specifically asks, as we have previously proposed to the Secretary of Agriculture and as we propose to the Committee today, that the federal government use its authority to contractually enforce fluid standards for milk in any national feeding program. This would include the National School Lunch Program, the WIC program and the Food Stamp program. Current regulations require compliance with standards but no provision is made for enforcement. As our California experience with the *Shamrock Foods* case indicates, absent enforcement, the taxpayer may well end up paying for the same milk twice and producers lose consumers because of the lack of a quality product being served to children. Results from an investigation and prosecution by the California Attorney General are outlined in Chart #2 attached.

National Biosecurity

Not all of the world's cattle receive the same protections against disease that American cattle receive.

Therefore, the United States must be ever vigilant in defense of our domestic industry from disease imported from abroad. It does us little good to rid our herds of brucellosis if our borders allow tainted cattle from overseas to cross. It does us little good to be foot and mouth free only to allow cattle transshipped from an origination that is not to come into America.

We are not advocating barriers to trade but we are urging a protectionist stance when it comes to shielding American cattle herds from diseases that we have successfully eradicated domestically. We cannot become complacent in our efforts to protect animal health because complacency can spell doom.

America has not witnessed an outbreak of foot and mouth disease since 1929 although the disease is endemic in many parts of the world. Western United Dairymen urge

continued support of efforts to protect the health of American cattle from imported disease. The Department of Agriculture has proposed significantly increased funding to beef up protection against the introduction of foreign animal diseases. We urge the Subcommittee to support that increase.

Clark County, Nevada

Federal order reform, which now more closely mirrors the California system, impacted all of the counties in the United States, except Clark County, Nevada. One handler in the US is exempted from the stabilizing effect of marketing orders and the result is instability.

Although this handler's purchase price for milk he buys from the producer is lower, data indicates that retail prices are higher than they are in surrounding states. Furthermore, compensatory payments are being extracted from non-Clark County processors. This exemption must end for Clark County so that market stability can be restored in the region.

Price Support Program

2000 brought record low prices for cheese milk in the United States. Dairywomen saw this coming but had confidence that the price support program might help them to hold on long enough for a price recovery to occur. The purchase price under the program is below the cost of production so it does not stimulate additional supply, but is at a level that would allow most producers to weather the pricing trough.

However, producers learned that the safety net deployed by Congress to protect them is full of holes. Processors were not required to pay them the support price as many believed but could voluntarily opt in. Most processors opted out and hundreds of American dairy families were sent into free fall and out of the dairy business.

Western United Dairywomen supports extension of the price support program at a level that does not stimulate additional production. However, we would respectfully request that this Congress sew the gaping holes in the producer safety net.

Milk Protein Concentrate

Western United Dairywomen urges the passage of HR 1786, the bill that would set reasonable tariff rates and quotas for imported milk protein concentrate (MPC). This product, which results from technology not widely used when our last trade agreements were negotiated, is coming into the country without any tariff rate or quota limits set. A recent GAO study said that MPC imports have grown 600% in recent years. This product, which is often heavily subsidized by other governments, is competing with domestically produced product and reducing producer pay prices here.

This concludes my oral testimony. Written testimony is being provided for the record. Thank you for the opportunity to provide input into the process. I would be pleased to answer any questions that the committee might have.